

EXECUTIVE SECRETARY  
FILE

NSC

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EXECUTIVE OFFICE OF THE PRESIDENT  
NATIONAL SECURITY COUNCIL  
WASHINGTON

April 30, 1954

MEMORANDUM FOR THE NSC PLANNING BOARD

- SUBJECT: Preparation and Use of Financial Appendices in Connection with Policy Recommendations by the National Security Council
- REFERENCES: A. Memo for NSC, "Preparation and Use of Financial Data in Connection with National Security Council Procedures," July 24, 1953  
B. Memo for Planning Board, April 26, 1954  
C. "Implementation of NSC Papers," Section XIII, Volume III of Current Policies of the Government of the United States of America Relating to the National Security

The enclosed draft statement on the subject, incorporating the revisions tentatively agreed on by the Planning Board on April 29, is transmitted for consideration by the NSC Planning Board as a proposed substitute for the approved statement circulated by the reference memorandum of July 24, 1953.

Also enclosed for consideration (page 10) is a proposal, prepared by the NSC Staff on the basis of the April 29 Planning Board discussion, for amending the "Progress Reports" section of the approved procedure for implementation of NSC papers.

JAMES S. LAY, Jr.  
Executive Secretary

PREPARATION AND USE OF FINANCIAL APPENDICES IN CONNECTION  
WITH POLICY RECOMMENDATIONS BY THE  
NATIONAL SECURITY COUNCIL

Introduction

1. The President has directed that recommendations by the National Security Council include information as to the costs of the programs necessary to carry out such policy. Accordingly, each policy statement presented by the Council, with certain exceptions, will contain a Financial Appendix prepared to conform with this instruction. The exceptions to this instruction include (1) policy proposals having no or only minor cost implications; (2) policy proposals relating to programs of a particularly sensitive nature for which special arrangements have been made.

2. The Financial Appendix should reflect the new policy which the statement proposes. Any significant change in an existing program shown in the Financial Appendix must be based upon the policy proposal and fully explained in the Financial Appendix. The Financial Appendix should not in itself presume to dispose of policy issues.

Information to be Included in a Financial Appendix

3. The Financial Appendix should present:

a. Cost estimates to carry out the policy based on the best available information at the time of preparation, i.e. estimated expenditures during the first four years or the life of each program, whichever is appropriate for a significant estimate. In some cases, it will not be possible to estimate cost with precision.

In many cases, estimates of cost may necessarily be very rough and where appropriate may be expressed as arranged.

b. Other pertinent financial data, if any, bearing on magnitude of the program, such as prior expenditures, existing capital investment, available appropriations, etc.

c. A statement of the degree to which the cost estimates in a above are consistent with current programming under approved policies.

d. A statement of the degree to which any additional costs estimated in c above can be offset by the reduction or elimination of any other current programs without adversely affecting approved policies.

e. Any assumptions necessary to explain the basis upon which the foregoing estimates and statements are made.

4. Every Financial Appendix submitted to the Council will bear the following standard caption:

Cost estimates in the Financial Appendix indicate order of magnitude.

At the time the policy statement is approved, the Financial Appendix indicates general acceptance of the magnitude of the cost, but not approval of specific cost estimates.

Appropriations and expenditures to finance the policy will be subject to review in the regular budgetary process.

5. In general, all Financial Appendices will follow the form of the attached Financial Appendix. In any case where the attached form of Financial Appendix is not suited to the substance of a policy statement, the NSC Staff will be responsible for outlining a form appropriate to the occasion.

Procedures for Preparation of Financial Appendices

6. Departments and Agencies

a. When a proposed policy covers programs which are the responsibility of one agency, the initial draft of a policy statement prepared by such agency will be accompanied by a Financial Appendix.

b. In other cases, the initial draft of a policy statement, submitted by the drafting agency for circulation to the Planning Board, will not be accompanied by a Financial Appendix.

c. Immediately following the circulation of the initial draft of a policy statement, each interested department or agency will cost that section of the statement affecting its activities, in accordance with the above instructions and the attached form of Financial Appendix, and will transmit the same to the NSC Staff.

7. NSC Staff

a. The NSC Staff will consolidate the financial data so received from each interested department and agency and will circulate the consolidated Financial Appendix to the Planning Board.

b. The NSC Staff will be responsible for coordinating the views of all the departments and agencies involved, including the Bureau of the Budget, on the initial and succeeding drafts of the consolidated Financial Appendix, with a view to having available an agreed Financial Appendix for submission with the policy statement to the Council.

8. Bureau of the Budget

a. The Bureau of the Budget will advise and assist the NSC Staff in the functions under par. 7 above.

b. If the Bureau of the Budget determines that the cost estimate of any department or agency differs substantially from the Bureau's cost estimate, the Bureau will discuss the differences with the NSC Staff and the department or agency in an attempt to arrive at an agreement.

c. If the policy statement under consideration involves expenditures of an agency not represented on the Planning Board, the Bureau of the Budget will identify such agency and assist the NSC Staff in securing the appropriate data.

9. Planning Board

a. The Planning Board will consider all financial information concerning a policy statement before making its recommendations to the Council.

b. In the case of a conflict of views as to cost estimates, the Planning Board may either defer consideration of the proposed policy statement pending further examination of the cost estimates or proceed on the basis of the available information. In any case of conflict of views relative to cost estimates, the Planning Board will submit to the Council a summary thereof.

c. In case a department or agency indicates the cost to carry out any aspect of the proposed policy statement will be an additional expenditure, the Planning Board will take this into consideration in making its policy recommendations to the Council.

10. Council Consideration

The Council will consider all financial information transmitted to it by the Planning Board in presenting its recommendations to the President.

NSC DRAFT

FINANCIAL APPENDIX

DATE \_\_\_\_\_

Cost estimates in the Financial Appendix indicate order of magnitude.

At the time the policy statement is approved, the Financial Appendix indicates general acceptance of the magnitude of the cost, but not approval of specific cost estimates.

Appropriations and expenditures to finance the policy will be subject to review in the regular budgetary process.

#### SUMMARY

1. Estimated expenditures for FY \_\_\_\_\_ through FY \_\_\_\_\_ total \$ \_\_\_\_\_ million. (Table I)

2. Based on the current programming of appropriations already made through FY \_\_\_\_\_ and requested for FY \_\_\_\_\_, and on estimated expenditures in those Fiscal Years, there would be an unexpended balance of \$ \_\_\_\_\_ million at the end of FY \_\_\_\_\_ available for future expenditure. (Table II)

#### SPECIAL NOTES

- a. All estimates are subject to the assumptions, footnotes, and detailed comments shown below in this Financial Appendix.
- b. In order to cover the lead time required in some programs, funds must be made available well in advance of expenditures.
- c. Amounts programmed as funds available are subject to future Executive decisions to transfer funds from one program to another, and to Congressional decisions on current appropriation requests.

#### ASSUMPTIONS

Table I. Expenditures by Programs

FY 195 - FY 195

(Millions of Dollars)

Note:

1. All programs or activities necessary to implement the proposed policy should be included. Those shown above are illustrative only.
2. If the policy proposed envisions alternatives, a comparable table of the estimated cost for each alternative should be prepared where possible.



Table II. Availability of Funds in Relation to Expenditures

FY 195\_ - FY 195\_

(Millions of Dollars)

	<u>Total</u>	<u>Military Assistance</u>	<u>Economic Assistance</u>	<u>Technical Assistance</u>	<u>Information Exchange Activities</u>	<u>Exchange Activities</u>
UNEXPENDED CARRY-OVER INTO FY 195_						
Plus: FY 195_ Funds						
Equals: Total available for expenditures						
Less: Estimated expenditures FY 195_						
Equals: UNEXPENDED CARRYOVER INTO FY 195_						
Plus: FY 195_ Funds						
Equals: Total available for expenditures						
Less: Estimated expenditures FY 195_						
Equals: UNEXPENDED CARRYOVER INTO FY 195_						

NOTE: All programs necessary to implement the proposed policy should be included. Those shown above are illustrative only.

DETAILED DISCUSSION

Programs Listed in Table I

1. MILITARY ASSISTANCE:

Force goals (if not included in Staff Study); equipment programs; status and rates of delivery; OSP factors; expenditures for troops or for construction or maintenance not included in Table I which have an important bearing on the U. S. policy or objectives in the country or area concerned, etc.

2. ECONOMIC ASSISTANCE:

Factors affecting the level and future of assistance; programs involving surplus commodities additional to Table I; loans; variables; Battle Act or East-West Trade factors; etc.

3. TECHNICAL ASSISTANCE:

Types of assistance included; variables affecting the level and future of technical assistance; United Nations or other related activity, etc.

4. INFORMATION SERVICES:

Types of services included; quantitative data affecting the level, type and future of services; etc.

5. EDUCATIONAL EXCHANGE:

Number of persons involved in study program in U. S. and abroad, categories from which drawn: i.e. students, teachers, civic leaders, etc.; authorizing legislation and financing, etc.

6. ANY OTHER PROGRAMS:

NOTE: There should be included in the detailed discussion under each program:

- a. A statement of the degree to which estimates of costs are consistent with current programs under existing approved policies.
- b. A statement of the degree to which any additional costs can be offset by the reduction or elimination of any other approved programs.

Proposed Amendment to "Implementation of NSC Papers" (See Section XIII, Volume III, of Current Policies of the Government of the United States of America relating to the National Security)

Add a new paragraph 13 to read as follows:

13. The determination of the appropriate interval (3 to 6 months) at which progress reports should be transmitted will normally be made by the coordinating agency designated by the President. However, if at any time it appears to the coordinating agency that the policy cannot be implemented for fiscal or other reasons, or that the policy requires review and possible revision, the coordinating agency is responsible for transmitting promptly to the Council a special progress report calling attention to these developments.